



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
OMB CIRCULAR A-133 AUDITORS' REPORTS**

June 30, 2005

**STATE OF INDIANA
STATE REVOLVING FUND PROGRAMS**

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*Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards*

Year Ended June 30, 2005

State of Indiana
State Revolving Fund Programs

We have audited the combined financial statements of the State Revolving Fund Programs (enterprise funds of the State of Indiana) as of and for the year ended June 30, 2005, and have issued our report thereon, dated August 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the State Revolving Fund Programs' internal control structure over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State Revolving Fund Programs' combined financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
August 17, 2005

**STATE OF INDIANA
STATE REVOLVING FUND PROGRAMS
(COMPONENT UNITS OF THE STATE OF INDIANA)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005**

| | CFDA Number | Grant Number | Program or Award Amount | Federal Expenditures |
|---|------------------------|-------------------------|--|---------------------------------|
| U.S. ENVIRONMENTAL PROTECTION AGENCY: | | | | |
| Capitalization Grants for Wastewater State Revolving Funds | 66.458 | CS180001-05 | \$ 25,969,581 | <u>\$ 25,969,581</u> |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | FS985655-98 | 3,856,815 | 409,512 |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | FS975486-02 | 500,000 | 103,053 |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | FS975486-03 | 1,000,000 | 177,177 |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | FS975486-05 | 9,728,700 | <u>8,744,978</u> |
| | | | | <u>9,434,720</u> |
| | | | | <u><u>\$ 9,434,720</u></u> |

**STATE OF INDIANA
STATE REVOLVING FUND PROGRAMS**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the State of Indiana State Revolving Fund Programs and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic combined financial statements

NOTE 2 - SUBRECIPIENTS

The State of Indiana Wastewater State Revolving Fund Program provided federal awards to subrecipients as follows:

| Program Title | CFDA Number | Amount Provided |
|---|------------------------|----------------------------|
| Capitalization Grants for Wastewater State Revolving Funds | 66.458 | \$25,969,581 |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | 8,744,978 |

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*Independent Auditors' Report on Compliance with
Requirements Applicable to Each Major Program and
on Internal Control over Compliance
in Accordance with OMB Circular A-133*

Year Ended June 30, 2005

State of Indiana
State Revolving Fund Programs

Compliance

We have audited the compliance of the State Revolving Fund Programs (enterprise funds of the State of Indiana) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of their major federal programs for the year ended June 30, 2005. The State Revolving Fund Programs' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of their major federal programs is the responsibility of the State Revolving Fund Programs' management. Our responsibility is to express an opinion on the State Revolving Fund Programs' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State Revolving Fund Programs' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State Revolving Fund Programs' compliance with those requirements.

In our opinion, the State Revolving Fund Programs complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2005.

Internal Control over Compliance

The management of the State Revolving Fund Programs is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the State Revolving Fund Programs' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the combined financial statements of the State Revolving Fund Programs, component units of the State of Indiana, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 17, 2005. Our audit was performed for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Katz, Saper & Miller, LLP

Indianapolis, Indiana
August 17, 2005

**STATE OF INDIANA
STATE REVOLVING FUND PROGRAMS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005**

SECTION I

Summary of Auditors' Results

Katz, Sapper & Miller, LLP has issued an unqualified opinion on the combined financial statements of the State of Indiana State Revolving Fund Programs as of and for the year ended June 30, 2005.

Katz, Sapper & Miller, LLP has also issued an unqualified opinion on the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to the State of Indiana State Revolving Fund Programs' major federal programs for the year ended June 30, 2005.

For the year ended June 30, 2005, there were no audit findings to report under OMB *Circular No. A-133*.

The programs identified and tested as major programs were:

| CFDA Number | Agency | Title |
|--------------------|---------------------------------------|--|
| 66.458 | U.S. Environment Protection Agency | Capitalization Grants for State Revolving Funds |
| 66.468 | U.S. Environment Protection Agency | Capitalization Grants for State Revolving Funds |

The threshold used to distinguish between type A and type B programs was \$1.1 million.

State Revolving Fund Programs were determined to qualify as a low-risk auditee.

SECTION II

Financial Statements Findings

None

SECTION III

Federal Award Findings

None